

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of:

Developing a Unified Inter-carrier
Compensation Range

CC Docket No. 01-92,
DA 06-1730

**COMMENTS OF THE PEOPLE OF THE STATE
OF CALIFORNIA AND THE CALIFORNIA
PUBLIC UTILITIES COMMISSION**

The People of the State of California and the California Public Utilities Commission (California, CPUC or Commission) respectfully submit these Comments in response to the Federal Communications Commission (“FCC”) Public Notice seeking comments on the inter-carrier compensation (ICC) reform proposal known as the “Missoula Plan”¹ in the above-captioned proceeding.

I. SUMMARY

California appreciates the time and effort invested by the

¹ Missoula Plan or Plan is used interchangeably in the context of these comments.

Missoula Plan supporters,² who despite their widely divergent interests were able to form a coalition to develop a comprehensive plan on ICC reform. California also applauds the National Association of Regulatory Utility Commissioners' (NARUC) Task Force on ICC for acting as the facilitator in submitting the Missoula Plan to the FCC. While NARUC acted as a facilitator, NARUC has not taken a position on the substance of the plan itself. We further observe that many significant players in the communications world do not support the Missoula Plan, for example most wireless carriers, Qwest, Verizon, and many competitive local exchange carriers.

California is generally supportive of the Missoula Plan's framework, but advocates some significant changes as set forth herein. California believes that the current ICC scheme is no longer workable in today's competitive telecommunications market. It skews the marketplace with non-cost based elements, and invites arbitrage. California encourages the FCC to take swift action on ICC issues as delay does not serve consumers.

The Missoula Plan is a good starting point for reform. The Plan establishes a framework that moves us closer to the goals enunciated

² Missoula Plan supporters are AT&T, Bell South Corp., Cingular Wireless, Global Crossing, Level 3 Communications and 336 members of the Rural Alliance (i.e. Calaveras Telephone Company, Siskiyou Telephone Company, Volcano Telephone Company, and many others).

by the FCC in its Further Notice of Proposed Rulemaking *In the Matter of Developing a Unified Intercarrier Compensation Regime*.³ In addition, the Plan promotes economic efficiency and competition by (1) eliminating much of the opportunity for arbitrage; (2) unifying intercarrier charges for the majority of lines; and (3) moving all intercarrier rates charged for all traffic closer together. Moreover, it lays out detailed rules to resolve existing interconnection problems which will provide more regulatory certainty and less regulatory intervention, and it maintains support for universal service.

In particular, as set forth in Section II of these comments, California agrees with the Plan's proposals (1) to resolve as quickly as possible the phantom traffic problem, which perpetuates arbitrage; and (2) to establish default rules for the process of obtaining interim reciprocal compensation arrangements. In addition, the Commission is pleased with the proactive proposal of the Plan to address the "edge" issue. Finally, because the problem of phantom traffic continues to grow, the Commission urges the FCC to immediately adopt the proposed phantom traffic rules while awaiting resolution of the other issues described in the Plan.

³ Further Notice of Proposed Rulemaking, CC Docket No. 01-92, rel. March 3, 2005.

Even though the Missoula Plan contains certain elements and resolutions that may solve many problems associated with the ICC system, there are some aspects of the Plan that require further examination, analysis, clarification, and revision due to the complex nature of the system. California respectfully requests that the FCC take into consideration the Commission's concerns and suggestions that are described in Section III of these comments.

II. CALIFORNIA SUPPORTS THE FOLLOWING PROPOSALS

A. Phantom Traffic

The Missoula Plan proposes to mitigate the problems created by carriers who send calls onto other carriers' networks without the proper labeling needed for billing (i.e., the call does not pass on information that identifies the originating carrier and/or the jurisdiction or type of traffic involved). This problem, also known as "Phantom Traffic," is unfair to those carriers who carry the traffic and are not compensated for it by the originating carrier. To resolve the phantom traffic problem, the Plan (1) establishes call signaling rules to require originating carriers to provide, and intermediate carriers to transmit, traffic identification information; and (2) proposes that the FCC establish an expedited review procedure to adjudicate alleged violations

of the signaling rules.⁴ Violations to the call signaling rules are dealt with through an enforcement mechanism, which includes, but is not limited to, assessing forfeitures against violators and/or awarding damages to aggrieved carriers, as appropriate, and imposing stiffer sanctions on chronic violators, such as prohibiting indirect connection.

The Plan also proposes an interim phantom traffic solution which the Missoula Plan proponents urge the FCC to adopt immediately and which would remain in place until a comprehensive ICC plan is adopted.

California commends the Missoula Plan task force committee on its phantom traffic solution and fully supports the Plan on this issue. Regardless of when an ICC reform proposal is adopted, the immediate implementation of an interim proposal that alleviates the unfair burden placed on impacted carriers will help create a just and fair marketplace for all carriers.

B. Establishment of Interim Interconnection Agreement

The Plan proposes mechanisms for establishing both interim interconnection arrangements and formal interconnection agreements for the exchange of Non-Access Traffic in cases where arrangements do not already exist. This circumstance usually arises when the traffic is

⁴ Missoula Plan p. 59.

being sent via an indirect interconnection. The proposal is consistent with the principles set forth by the FCC in its *T-Mobile Order*⁵

Under the Missoula Plan, in the absence of an interconnection agreement, any telecommunications carrier receiving another carrier's Non-Access Traffic through indirect interconnection may establish an interim interconnection arrangement with the originating carrier for the termination of its Non-Access Traffic. Under the proposal, the terminating carrier will send a notification letter informing the originating carrier that the carrier has been terminating the originating carrier's traffic over the previous 30 day period. Beginning 15 days from the date of the notification letter, the carrier will begin billing applicable interim reciprocal compensation charges (as specified in the Plan) for the termination of the originating carrier's Non-Access Traffic. Prior to the effective date of the interim arrangement, neither carrier will owe compensation for termination. The interim arrangement will remain in place until a formal agreement between the two carriers becomes effective.

California supports these proposed mechanisms. The interim arrangement proposal would ensure that carriers are paid for transport

⁵ Declaratory Ruling and Report and Order, *Developing a Unified Intercarrier Compensation Regime, T-Mobile et al. Petition for Declaratory Ruling Regarding Incumbent LEC Wireless Termination Tariffs*, 20 FCC Rcd 4855 (2005).

and termination of traffic, pending a formal agreement. There have been disputes in California over compensation in such instances where the originating and terminating carriers do not have prior reciprocal compensation arrangements, and the Missoula Plan proposal is a reasonable solution to these disputes.

C. Method of Edge Interconnection

The Missoula Plan describes the interconnection point or “meet point” between the originating carrier and the terminating carrier as the “edge”. The edge determines a carrier’s financial responsibility for the transport of traffic through either direct or indirect interconnection. Under the Plan, a carrier must designate at least one network location which meets the predefined criteria outlined in the Missoula Plan.⁶

The Commission is pleased to see a proactive proposal to address the edge issue within interconnection. It appears that the proposal will be beneficial to participants within the industry; however, California is concerned that the proposal does not have a broad consensus of support. Therefore, California looks forward to working with all of the parties in building an edge solution that is supported broadly by the industry.

III. ISSUES OF CONCERN TO CALIFORNIA

⁶ Missoula Plan p. 43.

California believes that certain aspects of the Plan are incompatible with FCC's goals for ICC reform: economic efficiency, technological and competitive neutrality, and preservation of universal service. This section identifies and proposes solutions to impediments, so that the FCC's goals can be fully realized.

In its discussion of its goals, the FCC recognized that there will be significant implementation issues associated with ICC reform.⁷ Important implementation issues for the States are discussed in Items A and B of this section.

As discussed in Item C of this section, the Plan's unified rates are not cost-based. Therefore, they do not send accurate price signals, which are necessary prerequisites for efficient competition.

Preserving universal service will be a difficult challenge under the Plan in its current form. As detailed in Items D, E, and F of this section, there is a high level of uncertainty associated with the levels of the Early Adopter Fund (EAF), Restructure Mechanism (RM), and the High Cost Loop funds. These funds without modification will significantly increase the universal service surcharge. California suggests remedies to the Plan's structural weaknesses in the universal service arena.

⁷ Further Notice of Proposed Rulemaking, CC Docket No. 01-92, rel. March 3, 2005, para 36.

Preservation of universal service also means maintaining affordable end-user rates. California proposes ways to achieve this goal in Item G of this section.

A. Fair Allocation of Subscriber Line Charge (SLC) and RM Revenues to States

A key concern for the Commission is the allocation of the SLC and RM fund. Under the Plan, carriers would recover reductions in both interstate and intrastate carrier compensation charges through the SLC increase and if necessary, the RM. However, because the SLC is a federal charge, SLC revenues are booked to interstate revenues. The Plan is silent on the jurisdictional treatment of the RM monies.

The fundamental principle of fairness dictates that an appropriate allocation of SLC and RM funds should be made to intrastate revenues. Since the SLC and RM are supposed to recover both intrastate and interstate revenue deficits, a portion of these two funding sources should be allocated to intrastate revenues.

Additionally, absent an equitable allocation of SLC and RM revenues to states, California's universal service programs would be adversely impacted. The revenue base for the five California public programs would be reduced by over \$500 million, leading potentially to higher surcharge rates. California recommends that SLC increases

and RM draws be booked, in part, as intrastate revenues in order to sustain California's public programs at current levels.

The FCC should develop an appropriate methodology for allocating revenues between state and federal jurisdictions, or alternative methods for offsetting reduced intrastate access charges.

B. State Flexibility in Implementing ICC Rate Reductions and Corresponding Rate Rebalancing

The Missoula Plan proposes mandatory intercarrier rate reductions for Track 1 and 2 carriers, except for originating intrastate access charges. Under the proposal, states are obligated to phase in the unification of the three types of terminating intercarrier charges (intrastate access charges, interstate access charges, and reciprocal compensation rates) in the manner and within the timeframe proposed by the Plan. As these ICC reductions are phased in, to recover the lost revenues, carriers can phase-in SLC increases, with limitations on how much they can increase their SLCs in each year of the Plan. If the SLC increase is insufficient to recover the lost revenues, carriers will be able to draw against the RM.

The Commission believes that states should be granted flexibility to implement intrastate rate changes to meet the standards set by the FCC and that eligible carriers would still be able to draw from the RM

to compensate for any intrastate revenue deficit not met through state rate rebalancing.

The Commission understands that the FCC would set the target unified rate and the deadline for achieving that rate. However, states should have the discretion with respect to the rate design used for intrastate rate rebalancing. For example, states could adopt a state SLC, use a surcharge mechanism, or increase rates for vertical feature services in lieu of a SLC increase, to compensate for intrastate access charge rate reductions. Also, in lieu of the Plan's proposal to establish unified rates for carriers by years three and four, depending on the carrier's classification, or its proposal to increase the SLC to the \$10 cap over a four-year period, a state may opt to meet these goals over a shorter period of time. Absent state action, the reductions to intrastate access and corresponding SLC increases could be ordered by the FCC.

C. Establish Default Originating and Terminating Rates Based On Costs

Within the past couple of years, the Commission has adopted Unbundled Network Element (UNE) rates for AT&T California (AT&T) (formerly known as SBC/PacBell) and Verizon California Inc. (Verizon) in Commission Decisions D.04-09-063, D.05-05-031 and D.06-03-025. These decisions established new UNE rates based on total element long

run incremental costs (TELRIC), which originated from thoroughly analyzed comprehensive cost studies.

When comparing California's recently adopted TELRIC UNE rates for AT&T and Verizon (both Track 1 carriers) with the Missoula Plan rates, the TELRIC UNE rates are higher than the unified termination rates and lower than the origination rates proposed for Track 1 carriers under the Plan. (Please refer to Appendix A.) The Plan does not explain the price differential between originating and terminating rates. The TELRIC UNE prices are the same for both originating and terminating traffic. The Plan's ultimate combined termination rate for all three functions: end-office switching, common transport, and tandem switching of \$0.0005 per minute is approximately one-fourth of Verizon's TELRIC UNE rate of \$0.001928. (Please refer to Appendices A and B.) The Plan's proposed originating rate of \$0.0045 is more than twice Verizon's TELRIC UNE rate.

AT&T and Verizon's TELRIC rates differ slightly from each other. However, since Verizon's cost data (based on 2004 costs and utilized for the 2006 UNE proceeding) is more recent than AT&T's (based on 2000 costs), it is more reasonable to use Verizon's rate. For this reason, the Commission recommends that the FCC utilize Verizon's TELRIC-based UNE rate of \$0.001928 as the cap rate for

originating traffic as well as terminating traffic for Track 1 carriers on a nationwide basis. (Please refer to Appendix B.) Adopting the Commission's TELRIC-based rate cap proposal, which has a sound cost-basis, will result in more efficient price signals and enhance competition.

Although a higher terminating cost-based rate is recommended, consistent with the Plan, the unified Missoula Plan rates should be default rates. Where competitive markets have supported a lower intercarrier compensation rate, the lower market rate should prevail and not be raised to the higher default level.

D. Early Adopter Fund (EAF)

The EAF was added as an incentive to help persuade early adopter states to support the Missoula Plan by reducing the burden on consumers in states that previously reduced intrastate access rates.

California believes that the EAF proposal is not developed fully in the Plan as filed with the FCC on July 24, 2006. Left unanswered is the appropriate size of the EAF, i.e. how much reimbursement should early adopter states expect to receive from the EAF, and the manner in which the EAF would be funded. Currently, there is a \$200 million minimum fund allocated for the EAF, which appears to be insufficient to provide adequate funding to those states that have already

rebalanced their intrastate access charges through state funds, local rate increases, and/or new line items. California understands, however, that the Plan supporters are currently working with some states to determine the appropriate size of the EAF fund and how it should be implemented.

Recently, NARUC requested, and the Commission provided, a draft estimate of California's total access charge reduction to date. From Years 1994 to 2006, California had a total reduction in access charges of over \$700 million. This amount includes Verizon and AT&T's 2006 reduction in access charges of approximately \$160 million as required by Commission Decision 06-04-071. In this Decision, the Commission ordered Verizon and AT&T to reduce their intrastate access charges by eliminating their non-cost based access charge elements, known as the network interconnection charge (NIC) and transport interconnection charge (TIC). Consequently, AT&T and Verizon have been assessing a surcharge on local rates, in lieu of local rate increases or explicit state funding, to recover their lost NIC and TIC revenues.

The Plan requires the EAF to be utilized to decrease the size of explicit state funding mechanisms only. However, the Commission believes that the EAF funding of first adopter revenue losses should be

distributed to eligible carriers regardless of the manner in which the revenues were recovered, but the carriers/states must demonstrate that the revenue losses are attributable solely to intrastate access charge reductions.

Even though full funding of all first adopter revenue losses is preferred, this may not be a realistic option. One fair and straightforward method of allocating a finite but less than full funding of first adopter revenue losses is to allocate the EAF based on the percentage of each state's contribution to total nationwide dollars reduced. The Plan should first determine the total amount of access charge reduction by all states, and then compare each state's access charge reduction with the total amount.

California cautions that the EAF mechanism be carefully crafted to avoid incentives for states to time their intrastate access reductions to take advantage of the EAF. California believes that states that have previously reduced their access charges for many years should be given priority and maximum draw from the fund over those states that opportunistically time their access charge reductions immediately before the Plan's implementation to benefit from the EAF. Further, each state that is eligible to receive the EAF funding should be given flexibility to flow-through EAF funds to carriers' customers.

Because the Plan does not propose a contribution methodology for the EAF or any of the other funds, California reserves the right to address on this issue in Reply Comments.

E. High-Cost Loop Support

The High Cost Loop Fund (HCLF) is a federal universal service mechanism used to partially defray costs incurred by rural telephone companies in high cost areas. The HCLF provides support to carriers in study areas where costs of the incumbent local exchange carrier's (ILEC) local loop exceed 115 percent of the national average cost per loop. The amount of support for any ILEC is based on cost per loop and the number of loops within a service area. The support is tilted toward smaller carriers with fewer loops. Carriers with less than 200,000 loops per service area receive higher pro-rata support payments than carriers with more than 200,000 loops. Currently, HCLF support is adjusted based on the percent by which the loop cost exceeds the national average.⁸

The HCLF is capped at a level established by the FCC. Each year the cap is adjusted by what is called the rural growth factor. The rural HCL support for calendar year 2006 is capped at \$1,047.300

⁸ 47CFR 36.361.

million.⁹ Competitive entrants receive the same per line subsidy as the ILECs with whom they compete. The total funding available for competitors is not constrained by the cap.

The Missoula Plan would re-index the HCLF based on the current nationwide average cost per loop for rural telephone companies. After the size of the Fund has been recalculated under the new index, the total amount of HCLF support will be increased in three equal steps over a 24-month period and then recapped at that level. Thereafter, the size of the Fund will be subject to annual adjustments based on a rural growth factor.

California notes that there is no incentive for relatively high costs recipients to control their costs. Despite the cap, the actual mechanics of the Fund results in higher-cost carriers not having their payments bound by the cap.¹⁰ Support should be lowered in order to spur carriers to operate in a more economically efficient manner. Therefore, the re-indexing of the HCLF as proposed by the Missoula Plan proponents should be rejected, absent other changes to the HCLF that would restructure the Fund to better target support to high cost areas.

⁹ USAC Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter 2006 at p. 6 (August 2, 2006).

¹⁰ Congressional Budget Office Paper: Factors That May Increase Future spending from the Universal Service Fund, June 2006, pp 6-7.

The Missoula Plan also eliminates the FCC's rules that base a carrier's rural HCLF support on the size of the carrier's study area. This proposal would increase HCLF support received by large carriers and thus increase the costs of the Fund without justification. The existing FCC rules for determining study areas for HCLF support should be retained.

The Plan proposes to create another safety valve mechanism, known as "Safety Valve II" support, where rate-of-return carriers receive an additional support to fund 50% of the non-loop improvements to acquired exchanges. However, there is no cap on this new revenue recovery mechanism¹¹ and therefore the \$300 million¹² currently estimated for high-cost fund modifications, could be easily exceeded.

Because the HCLF is not part of intercarrier compensation, modifications to the Fund should not be adopted as part of the Missoula Plan. Therefore, California recommends that the FCC should handle the restructuring and resizing of the HCLF in a separate proceeding. However, in case the FCC entertains modifications to the HCLF support in this docket, it should consider methods to restructure the targeting of support. One method for restructuring the HCLF is to

¹¹ Missoula Plan, p .79.

¹² Missoula Plan, p. 13.

increase the eligibility threshold for HCLF support from the current 115 % to 150% of the national average cost per line.¹³ California further recommends that concurrent with raising the eligibility threshold, the stratification of the HCLF support should be adjusted in increments of 25% above the 150% threshold.¹⁴ After such modifications have been implemented, it should be easier to maintain support levels within the cap.

F. Modify the RM Fund's Methodology to Reduce Fund Size

The RM is designed to replace the revenues lost by carriers due to the restructured ICC charges not otherwise recovered through increased SLC rates. Currently, proponents' best estimate of the RM by the end of the transition period is approximately \$1.5 billion. The Plan assumes that federal universal service surcharges would be increased to fund the RM.

The Plan proposes rules for recovery from the RM for ILECs. The Commission is concerned that the proposed methodology for ILEC recovery from the RM does not take into account the downward trend in ILEC wireline minutes of use (MOU) nor declining line counts.

Under the Plan, the amount an ILEC can recover from the RM over the life of the Plan is based on access rates and MOUs existing

¹³ See 47 C.F.R. §36.631.

¹⁴ Id.

prior to the Plan's implementation. This methodology would provide more revenue recovery for ILECs even though carriers, such as AT&T and Verizon's MOUs are declining as indicated in Decision 06-04-071 on the access charge reduction (NIC/TIC) proceeding.

Separate from the use of existing MOUs, the RM fund is further inflated because most carriers, except Track 1 carriers, are made whole even if they lose lines. The RM provides revenue recovery on a per line basis for Track 1 and 2 carriers. Track 2 carriers during part of the Plan period, and rate-of-return carriers for the entire Plan period, are compensated for all lines served prior to the Plan, even if the carrier subsequently loses lines. For example, if a Track 2 carrier's recovery per line from the RM Fund is \$10, and the carrier had 10 lines prior to the Plan, the carrier would recover \$100 from the RM. Even if the carrier loses two lines after the Plan's implementation, the carrier would still receive \$100, and not \$80, from the RM fund.

In order to reduce the RM fund size, California recommends that the RM should be modified to reflect a carrier's current MOU trends and no recovery for lines they no longer serve.

In a recent Order¹⁵ reducing intrastate access charges for the two largest ILECs in California, the CPUC recognized the downward trend in MOUs and ordered that revenue recovery for the lost access charge revenue be based on projected MOUs. The projected MOUs were calculated based on the percentage change in MOUs from prior years. The FCC may want to consider adoption of a similar methodology for RM funding and base the RM on the projected needs of the carrier, with the initial projection based on recent past history.

In order to help keep the size of the RM fund in check, the FCC may also want to cap the carrier per line recovery at the level of initial funding needs of the carrier on day one of the Plan.

G. Limit Revenue Recovery to Losses

The Plan attempts to ensure revenue neutrality for all carriers. In order to recover revenue losses associated with access charge reductions, carriers can raise the SLC and draw from the RM fund when SLC increases are insufficient.

For some carriers, especially those whose cost recovery is below the SLC cap, the Plan's current mechanisms coupled with the lack of clear and explicit direction on revenue neutrality and compliance issues

¹⁵ Order Instituting Rulemaking to Review Policies Concerning Intrastate Carrier Access Charges, Decision 06-04-071, April 27, 2006.

may allow carriers to recover revenues in excess of their losses after the fourth year of the Plan. To maintain competitive equity and to minimize rate impacts on ratepayers, revenue recovery should be limited to actual revenue losses. Similarly, the FCC should mandate that the reductions in ICC charges be passed through to end-user customers.

California's analysis shows that when assuming 100% flow-through of cost savings to California customers, only wireline urban customers with high long distance usage will see a bill reduction of approximately \$8 to \$11 per month. The impact on wireline urban customers with medium long distance usage is an increase in the total bill of about \$1 to \$3 per month, while rural wireline customers with medium long distance usage receive a decrease of over \$1 per month. All wireline low usage customers will see a higher bill.¹⁶ Accordingly, at a minimum the FCC should mandate that the reductions in ICC charges be passed through to end-user customers.

V. CONCLUDING COMMENT

The Missoula Plan is a commendable framework that may serve as a starting point for a final FCC plan to address the many problems in the current ICC scheme. California observes that the competitive

¹⁶ Based on assumptions provided by Missoula Plan proponents and SLC at the maximum cap.

communications market is evolving very quickly with developments such as wireless penetration, Voice over Internet Protocol, and cable entry. Outdated regulatory schemes such as the current ICC structure unfortunately skew the marketplace in a way that harms consumers. California urges swift action as to reform, particularly as to phantom traffic.

California urges the FCC to stay true to its enunciated goals in its ICC FNPRM. Reforms should include competitive and technological neutrality. The FCC should explore why players such as the wireless and cable carriers do not support the Missoula Plan. Universal service should be preserved, but it should also be carefully managed as to overall fund size and there should be incentives to upgrade plant to be as cost effective as possible given significant advances in technology. Economic efficiency must be promoted in order not waste the nation's resources on outdated technology. Finally, the FCC should adopt mechanisms that require as little regulatory intervention as possible. ICC reform is long overdue and the communications industry awaits wise FCC action.

Respectfully submitted,

RANDOLPH WU

LIONEL B. WILSON
HELEN M. MICKIEWICZ
GRETCHEN T. DUMAS

Dumas

By: /s/ Gretchen T.

Gretchen T. Dumas

Attorneys for the
Public Utilities Commission
State of California

505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-1210
Fax: (415) 703-4432

October 25, 2006

Appendix A

TELRIC UNE Rates Comparison

	AT&T-CA TELRIC	Conversion to Inclusive Access rate (MP)	VZ-CA TELRIC	Conversion to Inclusive Access rate (MP)
Tandem Switching				
Setup per Message	\$ 0.000629 ¹	\$ 0.000633	\$ 0.000217 ⁴	\$ 0.000364
Holding Time per MOU	\$ 0.000453 ¹		\$ 0.000309 ⁴	
End Office Switching				
Setup per Message ³	\$ 0.001448 ¹	\$ 0.001774	\$ 0.001293 ⁴	\$ 0.001511
Holding Time per MOU ³	\$ 0.001360 ¹		\$ 0.001184 ⁴	
Tandem Transport				
common fixed per term	\$ 0.001330 ²	\$ 0.001719	\$ 0.000053 ⁴	\$ 0.000053
common per mile per MOU	\$ 0.000021 ²		\$ 0.000000 ⁴	
Composite MOU Rate		\$ 0.004125		\$ 0.001928

¹ Rates obtained from pg. 8 of appendices in D.05-05-031.

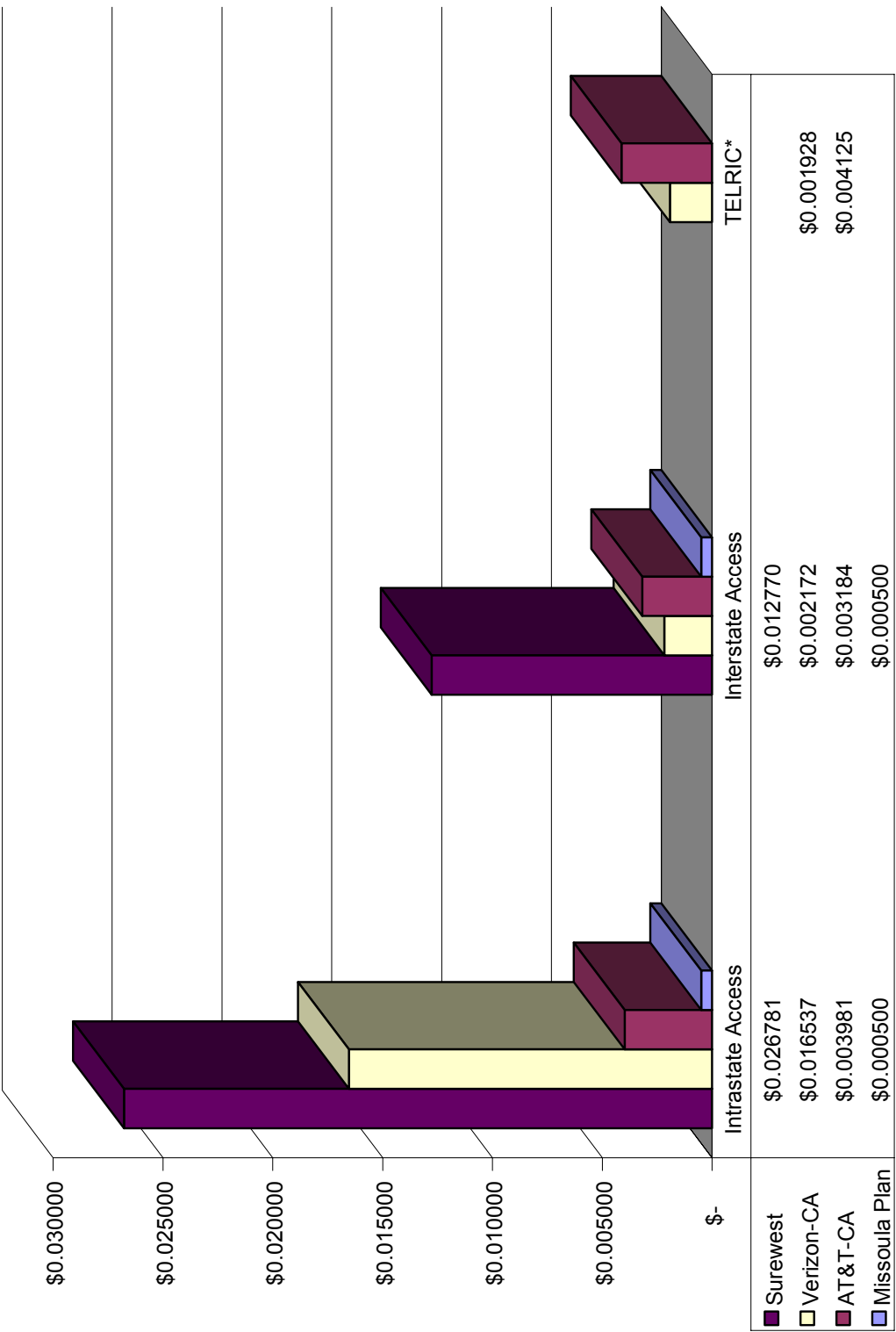
² Rates not established for UNEs in D.05-05-031, therefore used rates from SBC-CA UNE Pricing Decision D.99-11-050.

³ Interoffice Terminating rates utilized

⁴ Rates obtained from appendix B of D.06-03-025

Appendix B

Track 1 Terminating Rate Comparison



* Based on Reciprocal Compensation rates from most recent CPUC UNE decisions (D.05-03-026; D.06-03-25)